

## Message Text

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67

ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 EB-07 COME-00 TRSE-00 OPIC-03 AID-05 /082 W  
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R 180153Z MAR 75

FM AMEMBASSY CANBERRA  
TO SECSTATE WASHDC 5302  
INFO USMISSION OECD PARIS  
AMEMBASSY TOKYO  
AMEMBASSY WELLINGTON

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E.O. 11652: XGDS-1  
TAGS: PFOR, JA, AS  
SUBJ: NEGOTIATIONS ON TREATY OF NARA

REF: TOKYO 0772 NOTAL

1. DURING MARCH 14 EMBASSY-DFA ROUND-UP SESSION WITH  
DEPUTY ASSISTANT SECRETARY ZURHELLEN, GOA SIDE SUMMARIZED  
RECENT PROBLEMS WHICH HAVE ARISEN DURING NEGOTIATIONS  
LOOKING TO A NIPPON-AUSTRALIA RELATIONS AGREEMENT ("TREATY  
OF NARA").

2. THIS PROJECT HAS BEEN UNDER WAY FOR MANY MONTHS AND  
HAS BEEN THE SUBJECT OF NEGOTIATIONS BOTH IN CANBERRA AND  
MOST RECENTLY IN TOKYO. SOME RECENT PRESS REPORTS HAVE  
SUGGESTED THAT THE PRINCIPAL CURRENT DIFFICULTY IN THE  
NEGOTIATIONS WAS JAPANESE CONCERN OVER GOA INTERVENTION  
IN PRICING MINERALS EXPORT CONTRACTS.

3. ACCORDING TO BRADY, ASST. SECY., DFA, NORTH ASIA BRANCH,  
THE RECENT BREAKDOWN IN NEGOTIATIONS WAS CAUSED BY JAPANESE  
DEMANDS AFFECTING THE APPLICATION OF MFN, BOTH TO THE  
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ENTRY OF FOREIGN INVESTMENT AND QUESTIONS OF THE ENTRY

AND STAY OF BUSINESSMEN. BRADY STATED THAT THERE WERE TWO UNACCEPTABLE JAPANESE REQUESTS: (1) THAT THE COMMITMENT TO MFN NOT ONLY GUARANTEE JAPAN MFN TREATMENT UNDER THE LAWS, POLICIES AND REGULATIONS IN FORCE AT ANY GIVEN FUTURE TIME, BUT THAT THEY GUARANTEE FUTURE TREATMENT OF JAPAN NO LESS FAVORABLE THAN MFN TREATMENT UNDER PRESENT LAW AND POLICY. IN OTHER WORDS, JAPAN WAS REQUESTING NOT ONLY MFN TREATMENT, BUT IN EFFECT A "STANDBY" GUARANTEE THAT FUTURE MFN TREATMENT WOULD AT MINIMUM BE NO LESS FAVORABLE THAN PRESENT MFN TREATMENT; (2) THAT JAPAN RECEIVE SOME FORM OF "COMPENSATION" IN THESE AREAS TO MAKE UP FOR THE LONG PERIOD IN WHICH IT HAS NOT BEEN RECEIVING MFN TREATMENT AND HAS THEREFORE BEEN UNABLE TO DEVELOP ITS ECONOMIC PRESENCE IN AUSTRALIA AS FULLY AS OTHER COUNTRIES. DETAILS OF THE PROPOSED "COMPENSATION" WERE NOT CLEAR.

4. BRADY INDICATED THAT THESE JAPANESE INTERPRETATIONS OF "MFN" HAD ARISEN UNEXPECTEDLY DURING THE MOST RECENT ROUND OF TOKYO NEGOTIATIONS AND HAD BEEN LARGELY RESPONSIBLE FOR THEIR BREAKDOWN. THE DFA APPEARS STILL HOPEFUL THAT SOME RESOLUTION WILL BE FOUND FOR THIS IMPASSE. BECAUSE THESE JAPANESE INTERPRETATIONS ARE WHOLLY UNACCEPTABLE TO GOA, WE ASSUME THE BASIS FOR SUCH HOPE MUST BE AN ASSUMPTION THAT THE JAPANESE MAY EVENTUALLY BACK DOWN.

5. ON PRIME MINISTER WHITLAM'S INSTRUCTIONS DFA SECRETARY RENOUE CALLED IN JAPANESE AMBASSADOR MARCH 17 AND TOLD HIM JAPANESE POSITION WAS FLATLY UN-ACCEPTABLE, AND THAT GOA SAW NO CHOICE BUT TO SUSPEND NEGOTIATIONS. RENOUE AND WHITLAM BELIEVE JAPANESE HAVE BEEN UNDER IMPRESSION THAT WHITLAM NEEDED NARA FOR DOMESTIC POLITICAL REASONS AND THEREFORE WOULD MAKE IMPORTANT CONCESSIONS. RENOUE FEELS HE HAS DISABUSED JAPANESE OF THIS MISAPPREHENSION AND EXPECTS JAPANESE TO WITHDRAW THEIR EXAGGERATED PROPOSALS.  
HARROP

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## Message Attributes

**Automatic Decaptoning:** X  
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**Channel Indicators:** n/a  
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**Disposition Case Number:** n/a  
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**Disposition Date:** 28 MAY 2004  
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